Has the Financial Centre entered an Era of Pacified Public-Private Partnership?
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Check against delivery

Ladies and Gentlemen,
Members of the Press,

Thank you for your presence today at the Geneva Financial Center's annual press conference. Like every year at the same time, we are delighted to have this opportunity to share with you our views on the challenges currently facing the Geneva financial centre.

Some of you may be intrigued by the title of my speech today, which could be understood as suggesting that the financial centre has suddenly become statist. Nothing could be farther from the truth.

Since 2014, the Geneva Financial Center (GFC) has focused on three key priorities:

- Ensuring competitive framework conditions
- Promoting the financial centre
- Reinforcing education and training

In all three areas, collaboration with cantonal and federal authorities, and occasionally international bodies, is crucial to success.

During the financial crisis, the 10th anniversary of falls this year, relations between the financial industry and government were at times strained. The paradigm change effected by Switzerland’s adoption of automatic exchange of information has ushered in a new era – an era of pacified public-private partnership.

Ensuring competitive framework conditions

I will now briefly outline a few of the key issues that illustrate the actions taken by the GFC in support of its three priorities.

<u>The Federal Financial Services Act (FFSA) and the Federal Financial Institutions Act (FinIA)</u>

The drafting of these two laws, which are central to our financial regulatory framework, began during a time of tension. This is reflected in the law’s provisions regarding civil litigation, which call for the introduction of American-style ‘class actions’ and the creation of a fund to cover clients’ legal expenses, even in the case of an unsuccessful claim. The laws were initially drafted with very limited input from the stakeholders most directly impacted by them, that is, financial advisers.

The financial industry was vocal in its reaction. Thankfully, dialogue with the Federal Council and government resumed in 2015, enabling the final text of the law to better meet the needs of the profession.

This episode demonstrates that opening up the discussion before the legislative process begins can go a long way to avoiding time-consuming confrontations.

<u>Corporate taxation</u>

According to the Geneva Financial Center's 2018–2019 Survey, which you will hear about next, corporate taxation is the number one concern for financial institutions across every category. Prof. Xavier Oberson, a member of the Board of the GFC, will address this topic in greater detail later.

From a political standpoint, in connection with the reform of corporate tax at the **federal level**, I wish to remark that the rejection of the third Corporate Tax Reform (CTR III) in 2017 can be attributed in part to a lack of dialogue with municipalities and cantons which felt threatened by the proposed measures.

The revised version approved by the Federal Parliament on September 28, 2018 removes this stumbling block by taking into account both the preoccupations of local authorities and the needs of the economy.

At the cantonal level, we welcome the proactive approach of State Councillor Nathalie Fontanet, who immediately after her election began conducting consultations with stakeholders in hopes of reaching a consensus acceptable to a majority of the Geneva parliament and electorate.

We sincerely hope that reason will prevail, as failure is not an option. Now that Vaud has moved to a single corporate tax rate of 13.79%, which will come into force on 1 January 2019, can anyone reasonably expect companies to stay much longer in Geneva, where corporate tax tops 24%?

<u>Personal taxation</u>

It should come as no surprise that taxation of natural persons is the second area of concern for the financial institutions surveyed by the GFC.

Geneva applies a top marginal wealth tax of 1%, one of the highest rates in the country. Moreover, around 1% of taxpayers account for 70% of the canton's wealth tax revenues.

To correct this competitive disadvantage, the canton adopted, by referendum, a 'wealth tax shield' mechanism similar to those ratified by the cantons of Vaud, Bern and Valais. This shield limits an individual's total federal, cantonal and municipal tax burden to around 70% of net income.

Regular communications with the cantonal government, administration and taxpayers have demonstrated to us the crucial importance of maintaining this measure. Its abolition would no doubt prompt the immediate departure of many of the canton's biggest taxpayers for greener fiscal pastures.

Despite that obvious fact, the Geneva Left, in its wisdom, has tabled more than ten bills proposing to suspend or abolish the tax shield mechanism.

Geneva's transformation into a fiscal hell would have a serious impact on the public purse and, consequently, on the services that the canton provides to residents.

For members of the Geneva financial centre, the overvaluation of business ownership in the calculation of taxable wealth, as well as the threat of much higher taxes on property, are further areas of concern that need to be taken up in a frank and open manner with the relevant authorities.

Promoting the financial centre

I shall now turn to another key priority of the GFC, namely the promotion of the Geneva financial centre.

By way of introduction, allow me to draw your attention to a recent study by Deloitte entitled 'The International Wealth Management Centre Ranking 2018'. This study ranks Switzerland first in the world for its competitiveness, ahead of Singapore, Hong Kong and the UK. A second study by the Boston Consulting Group estimates Switzerland's share of global cross-border wealth management at 27.5%, making it the world leader in this segment.

To maintain this enviable position, conquer new markets and develop innovative new services, the financial centre needs to be able to count on the staunch support of our federal, cantonal and even municipal authorities.

At the federal level, I would like to point out the active role played by Federal Councillor Ueli Maurer in leading several business delegations to Asia, the Middle East and South America. Breaking with the precedent set by the former head of the Federal Department of Finance, Mr Maurer's engagement is a real asset to our industry, as it signals the presence of a sort of 'sacred union' around the banking and financial sector, like that which has long existed in Luxembourg, Singapore or Hong Kong.

Both Mr Maurer and the President of the Swiss Bankers' Association, Mr Herbert Scheidt, saluted the success of this collaboration on the occasion of the 'Bankers Day' in Geneva, on September 13, 2018.

For the coalition to be complete, FINMA would also have to join. Yet, the financial watchdog has always refused to participate in such promotional exercises. There have been calls, from National Councillor Christian Lüscher among others, for this stance to be relaxed, but so far they have been unsuccessful.

Nevertheless, FINMA has grown increasingly open to dialogue, as evidenced by its decision to lighten the regulatory burden for small and medium-sized banks. The implementation of proportional regulation, without any 'Swiss finish', can be seen as a form of indirect promotion, insofar as it enhances the competitiveness of the Swiss financial centre.

In Geneva, the GFC has worked closely for many years with the cantonal Office of Business Development. Cooperation between the private and public sectors is especially relevant when hosting foreign, particularly Chinese, delegations interested in locating in Geneva.

Combining the forces of the public and private sectors can also act as a catalyst for technological innovation. The annual 'Forum économie numérique' organised jointly by the GFC, the Canton of Geneva and the FER, perfectly illustrates this point. The 2018 edition of the forum will take place on November 23, 2018.

Sustainable finance is an altogether different example of public-private partnership.

This new segment has been growing exponentially in Switzerland. There are more than 200 companies active in sustainable development, many of them based in Geneva, and the sector has grown by 82% between 2016 and 2017 to CHF 391 billion in assets. Sustainable finance thus seems poised to act as a differentiator from competing financial centres.

More importantly, sustainable finance connects stakeholders who formerly had very little to do with each other. I am thinking especially of the UN agencies. The 17 Sustainable Development Goals (SDGs) adopted by the UN in 2014 provide a very interesting context for the development of new financial products. The establishment in Geneva, in 2018, of the International Network of Financial Centers for Sustainability, or FC4S, is testament to our canton's attractiveness in this regard.

The cantonal authorities have also taken an active role in promoting sustainable finance by including it among the objectives listed in its Economic Strategy to 2030.

Additionally, sustainable finance has enabled us to re-build our relationship with the city of Geneva – a not insignificant achievement, given the ups and downs that have dogged our mutual relations in recent years.

That convergence is not merely theoretical. In June 2018, a first forum brought together the financial centre, Geneva-based international organisations and the cantonal authorities to discuss the UN Sustainable Development Goals. The purpose of the exercise was to find practical solutions to the challenges faced by both the financial centre and international Geneva, from mobilising finance for development projects to the development of new standards of risk assessment, using data gathered by international organisations.

I heartily welcome the building of this new bridge between the left and right banks of the lake in an area that holds great promise for Geneva.

Reinforcing training and education

The strength of the financial centre lies primarily in the outstanding skill and expertise of its workforce. I am convinced that the digitization of banking will never replace the personal relationships between clients and their advisors that are such an essential part of our profession.

However, the excellence of our human resources cannot be taken for granted. Training must therefore constantly adapt to a rapidly changing profession. This holds true for apprenticeships, continuing education and university courses alike. The public sector is involved to a varying degree at every stage of this process; it is responsible for keeping up with – or ahead of – this revolution in the transfer of knowledge.

The GFC actively promotes apprenticeships. Working closely with the Office for Training and Professional and Continuing Education (OFPC), professionals from institutions with apprenticeship programmes meet with students at middle schools to discuss careers in banking. Allowing private companies to present at schools is a new turn for the Department of Public Education (DIP), made possible by the lifting of certain institutional taboos.

Our commitment to promoting apprenticeships is also reflected in the GFC's participation in the annual 'Cité des Métiers' job fair, which will take place at Palexpo in November.

By enabling them to update their skills, **continuing education** is another crucial link in the career of every banking professional. Ultimately, the Federal Financial Services Act (FFSA) did not impose strict requirements in this area; legislators trusted banks to ensure their staff achieve appropriate level of competency.

That is reflected, for instance, by the implementation of a sort of standard for client advisors that is validated by a SAQ certification from an accredited institution. In Geneva, the Institute for Studies In Finance & Banking (ISFB) is accredited to deliver such a certification, which takes into account the specific requirements of the Geneva financial centre.

The University of Geneva also plays a key role. After several years of mutual distrust, relations have improved considerably thanks to the current rectorate's openness to public-private partnerships that do not impinge on the institution's academic freedom. This development is very much to be welcomed.

Practically speaking, cooperation between the university and the financial centre focus on areas that serve to differentiate Geneva from the competition.

Sustainable Finance is one of these. The Geneva Finance Research Institute (GFRI), which the GFC has supported since its creation, has just hired a visiting professor specialising in this fast-growing segment.

The recent opening of a Philanthropy Centre is also excellent news. Made possible by a public-private partnership between the university and several Geneva private banks, this multidisciplinary centre will bring attention to the canton's international reputation for philanthropy. Geneva is not only home to many famous foundations; it also manages large amounts of capital while benefiting from the unique know-how of its banks. These synergies are complemented by the presence of dozens of UN organisations and NGOs active in the area of development and health.

Additionally, the University of Geneva and the GFC have joined forces to found the Geneva Institute for Wealth Management. The Institute's partnership with the famous Tsinghua University in Beijing is already being hailed as a resounding success. This is yet another example of a public-private partnership supporting the promotion of Geneva as a centre of excellence for wealth management.

Conclusion

These developments illustrate what a long way relations between the banking sector and the public sector have come.

Mutual understanding was certainly not improved by the 2008 financial crisis and the subsequent upheavals, leading up to the introduction of automatic exchange of information.

It also took quite a lot of time for the public sector to abandon certain outdated clichés about the financial sector and to recognize that it has entered a new era.

It is good to see forces converging from all sides to focus on what matters most, namely enhancing the strengths that make Geneva an innovative hub of expertise in banking and finance, a cluster like no other in the world.

Thank you for your attention. I now leave the floor to Edouard Cuendet, Director of the GFC, who will present the conclusions of our annual Economic Survey.